



# Invesco Digital Markets plc Audited Annual Report and Financial Statements

For the financial period from inception to  
31 March 2022

**INVESCO DIGITAL MARKETS PLC  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

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**INVESCO DIGITAL MARKETS PLC**  
**GENERAL INFORMATION**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**Directors**

Ellen Chislett (appointed on 29 April 2021)  
Ryan Mendez (appointed on 29 April 2021)

**Registered office**

44 Esplanade  
St Helier  
Jersey  
JE4 9WG  
Channel Islands

**Issuer Adviser**

Invesco Asset Management Limited  
Perpetual Park  
Perpetual Park Drive  
Henley-on-Thames  
England  
EG9 1HH  
United Kingdom

**Administrator, Registrar and Transfer Agent**

Northern Trust International Fund Administration Services (Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
D02 R156  
Ireland

**Custodian**

Zodia Custody Limited  
Thomas House  
84 Eccleston Square  
Pimlico  
London SW1V 1PX  
United Kingdom

**Independent auditor**

KPMG Channel Islands Limited  
37 Esplanade  
St Helier  
Jersey  
JE4 8WQ  
Channel Islands

**Secretary**

Intertrust SPV Services Limited  
44 Esplanade  
St Helier  
Jersey  
JE4 9WG  
Channel Islands

**Trustee**

Intertrust Trust Corporation Limited  
1 Bartholomew Lane  
London  
EC2N 2AX  
United Kingdom

**INVESCO DIGITAL MARKETS PLC**  
**DIRECTORS' REPORT**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

The Directors present the annual report and audited financial statements of Invesco Digital Markets plc (the **Company** or **Issuer**) for the period from incorporation on 29 April 2021 to 31 March 2022.

**General information**

The principal activity of the Company is to issue series (each, a **Series**) of secured, limited recourse certificates (**Digital Certificates**) by the Issuer under the Secured Cryptocurrency Linked Certificates Programme (the **Programme**) described in the base prospectus (**Base Prospectus**).

Each Series of Digital Certificates issued by the Issuer under this Programme entitles the holder of a Digital Certificate who is an authorised participant under the Programme (each an **Authorised Participant**), by the exercise of the relevant option, to require the Issuer to redeem such Digital Certificate by transfer of one or more cryptocurrencies specified in the relevant final terms (each a **Digital Asset**) in an amount equal to the delivery amount in accordance with the conditions of the Digital Certificates. Unless previously redeemed or cancelled, each Digital Certificate of a Series is redeemed on the final maturity date specified in the final terms relating to each tranche of that Series of Digital Certificates (the **Final Maturity Date**), which shall in any case not be earlier than 30 June 2121, at the relevant cash amount in US dollars or any other currency specified in the relevant final terms (US dollars or such other currency specified in the relevant final terms being the **Specified Currency**). As at the date of the Base Prospectus, the sole Digital Asset in which Digital Certificates may be redeemed is Bitcoin, but in future the Issuer may issue Series of Digital Certificates giving rise to entitlements to redemption in other Digital Assets, which may either be Bitcoin, Ethereum, Ripple, Bitcoin Cash, Litecoin, or a basket of two or more of the foregoing.

In order to hedge its obligations to the holders of each Series of Digital Certificates, the Issuer holds a pool of the relevant Digital Asset relating to that Series of Digital Certificates. The Digital Assets are received from the Authorised Participants in consideration for the issue of Digital Certificates, and are held on trust by Zodia Custody Limited (the **Custodian**) for the Issuer. On any date, the pool of Digital Assets held by the Custodian is required to comprise an amount of the relevant Digital Asset no less than the aggregate of the per Digital Certificate Entitlement (**Per Digital Certificate Entitlement**) to such Digital Asset for all outstanding Digital Certificates of such Series.

From time to time, in respect of Digital Certificates of any particular Series, a portion of the Digital Assets equal to the aggregate of the daily amounts by which the Per Digital Certificate Entitlement to such Digital Assets are reduced by the reduction percentage over the relevant period (the **Fees**). Fees are withdrawn from the relevant depository wallet and paid to Invesco Asset Management Limited (the **Issuer Adviser**) in consideration for its services as Issuer Adviser and also its agreement to pay the fees and expenses due to the other service providers in connection with the Programme (but not including any indemnities granted in favour of the other service providers). The Issuer Adviser is principally responsible for providing certain advisory services to the Issuer.

The Company was incorporated in Jersey, Channel Islands as a public company on 29 April 2021 under Companies (Jersey) Law 1991.

**Review of operations**

The recent Base Prospectus was issued on 16 November 2021. The Digital Certificates were admitted for listing on the Frankfurt Stock Exchange and SIX Swiss Exchange on 26 November 2021 and 20 January 2022, respectively.

As at 31 March 2022, the revalued amount of assets under management amounted to US\$140.0 million. The Company recognises Digital Assets and Digital Certificates at fair value in the Statement of Financial Position.

**Key performance indicators**

The Directors confirm that the key performance indicators as disclosed below in the financial statements are those that are used to assess the performance of the Company:

- The net changes in fair value of Digital Assets amounted to a loss of US\$32,027,522 as a result of change in the price of Digital Assets.
- The net changes in fair value of Digital Certificates amounted to a gain of US\$32,514,455.

The price of Digital Assets have decreased during the period. Please see below table for further details.

Digital assets	Currency	Price as at 31 March 2022	Price as at 29 April 2021	Change in price %
Bitcoin	US\$	46,514	54,534	(14.71)

**Business risks and uncertainties**

The market value of Digital Assets is not related to any specific company, government or asset. The valuation of these assets depends on future expectations for the value of the network, number of transactions and the overall usage of the assets. This means that a significant amount of the value in Digital Assets is speculative and could lead to increased in volatility. Investors could experience significant gains, losses depending on the valuation of Digital Assets. Due to the speculative nature of an investment in Digital Assets, the prices may fluctuate for any reason and such fluctuations may not be predictable.

**Results and dividends**

The results for the period are set out on page 12. Pursuant to Section 4 of the Declaration of Trust of Invesco Digital Markets Charitable Trust, the Directors recommend the payment of dividend of US\$500 in respect of the period ended 31 March 2022.

**INVESCO DIGITAL MARKETS PLC  
DIRECTORS' REPORT (continued)  
FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**Going concern**

The Directors believe that the Company is well placed to manage its business risk successfully and therefore have a reasonable expectation that the Company has adequate resources, as noted below, to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of this report.

The Company has an obligation to settle amounts due to the holders of Digital Certificates. When these are redeemed, the Company returns the corresponding amount of Digital Assets determined by the Per Certificate Entitlement of those Digital Certificates, therefore the redemption of Digital Certificates would not impact the liquidity of the Company. Furthermore, the Issuer Adviser pays the fees and expenses due to the other service providers in connection with the Programme. Accordingly, the Directors have prepared the financial statements on a going concern basis.

A high-level of analysis was made on the liquidity and performance of the Company, following the financial period end 31 March 2022. Based on this, the Directors note that there has been negative change in the prices of Digital Assets. Despite the significant reduction in the price of Digital Assets, the level of activity has remained stable post the financial period end. The Directors have also noted that the Administrator has taken measures to ensure business continuity.

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with the Russian invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. The Directors carefully evaluate the information that becomes available and believe that has no significant impact on the financial statements. The Directors will continue to monitor the situation and appropriate steps will be taken for the smooth running of the Company's business.

**Corporate Governance**

The Directors continue to promote and maintain a sound system of corporate governance in compliance with applicable regulatory requirements.

**Directors**

The Directors in office when these financial statements were approved are shown on page 1, all of whom were Directors for the period, unless otherwise stated.

The Directors had no interest in the ordinary shares of the Company and received no remuneration throughout the period and up to the date of approving the financial statements.

**Secretary**

The Secretary of the Company throughout the year and up to the date of approving the financial statements was Intertrust SPV Services Limited.

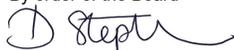
**Independent auditor**

KPMG Channel Islands Limited, as the Company's independent auditor, have expressed their willingness to continue to act, however, their reappointment is dependent on the approval at the annual general meeting.

**Directors' responsibility regarding disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



For **Intertrust SPV Services Limited**

Dated: 29/07/2022

**INVESCO DIGITAL MARKETS PLC**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also required by the Transparency (Directive 2004/109/EC Regulations 2007 (as amended)) (the "Regulations") to include a Directors' Report containing a fair review of the business and a description of the principal risks and uncertainties facing the Company.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Responsibility statement of the Directors in respect of the Directors' Report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face. The principal risks facing the Company are outlined in note 11 of the financial statements.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board of Directors of the Company

Director:



Date: 29/07/2022

# Independent Auditor's Report to the Members of Invesco Digital Markets plc

## *Our opinion is unmodified*

We have audited the financial statements of Invesco Digital Markets plc (the "Company"), which comprise the statement of financial position as at 31 March 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 29 April 2021 (date of incorporation/formation) to 31 March 2022, and notes, comprising significant accounting policies and other explanatory information.

### *In our opinion, the accompanying financial statements:*

- give a true and fair view of the financial position of the Company as at 31 March 2022, and of the Company's financial performance and cash flows for the period from 29 April 2021 (date of incorporation) to 31 March 2022.
- are prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

## *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## *Key audit matters: our assessment of the risks of material misstatement*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

	<i>The risk</i>	<i>Our response</i>
Valuation of digital assets	<b>Basis:</b>	<b>Our audit procedures included:</b>
\$140,014,828.	The Company invests in a portfolio of digital assets ("the assets"), currently Bitcoin, that represent 99.9% of the Company's total assets. These assets are accounted for at fair value.	<ul style="list-style-type: none"> <li>• Assessed the design and implementation of relevant controls over valuation of digital assets.</li> <li>• Assessed the appropriateness of the methodology used to value the digital assets, and considered whether it represents fair value in accordance with IFRS.</li> <li>• Independently priced the assets to a third party pricing source</li> </ul>
Refer to note 2 accounting policy and note 7 disclosures	The Company determines fair value by revaluing the assets held at the reporting date using the CoinShares bitcoin hourly reference rate as described in the financial statements ("the CoinShares price").	

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

	<i>The risk</i>	<i>Our response</i>
	<p>The assets act as collateral for the digital certificates issued by the Company which are liabilities held at fair value through profit or loss ("the certificates").</p> <p><b>Risk:</b></p> <p>The reported fair value of the assets held may be materially misstated and is a significant area of our audit, given that it represents the majority of the company's total assets.</p>	<ul style="list-style-type: none"> <li>Assessed the fair value disclosures in the financial statements for compliance with IFRS requirements.</li> </ul>

	<i>The risk</i>	<i>Our response</i>
<p>Existence of digital assets</p> <p>\$140,014,828.</p> <p>Refer to note 2 accounting policy and note 7 disclosures</p>	<p><b>Basis:</b></p> <p>The Company invests in a portfolio of digital assets ("the assets"), currently Bitcoin, that represent 99.9% of the Company's total assets. These assets are accounted for at fair value.</p> <p>The existence of the assets was identified as a key driver of the Company's performance.</p> <p><b>Risk:</b></p> <p>The reported holding and therefore the fair value of the assets held may be materially misstated and is a significant area of our audit, given that it represents the majority of the company's total assets.</p>	<p><i>Our audit procedures included:</i></p> <ul style="list-style-type: none"> <li>Assessed the design and implementation of relevant controls over existence of digital assets.</li> <li>Obtained a confirmation of the asset holdings as at the balance sheet date from the independent custodian (Zodia Custody Limited).</li> <li>Observed the performance of a withdrawal after the period end to confirm continued control over the private keys.</li> <li>Used a blockchain analyser tool to corroborate recorded transactions on the blockchain and the balance of digital assets at the period end as well as around the date of issuance of the financial statements.</li> </ul>

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

	<i>The risk</i>	<i>Our response</i>
<p>Valuation of digital certificates</p> <p>\$140,014,828.</p> <p>Refer to note 2 accounting policy and note 8 disclosures</p>	<p><b>Basis:</b></p> <p>The issuance of certificates is central to the Company's principal activity and these allow investors to gain exposure to movements in value of the digital assets without needing to take physical delivery.</p> <p>The certificates are accounted for at fair value.</p> <p><b>Risk:</b></p> <p>The reported fair value of the liabilities held may be materially misstated and is a significant area of our audit, given that it represents the majority of the company's total liabilities.</p>	<p><i>Our audit procedures included:</i></p> <ul style="list-style-type: none"> <li>• Assessed the design and implementation of relevant controls over valuation of digital certificates.</li> <li>• Assessed the appropriateness of the methodology used to value the ETC Securities, and considered whether it represents fair value in accordance with IFRS.</li> <li>• Independently priced the liabilities to a third party source.</li> <li>• Assessed the fair value disclosures in the financial statements for compliance with IFRS requirements.</li> </ul>

## *Our application of materiality and an overview of the scope of our audit*

Materiality for the financial statements as a whole was set at \$1,401,000, determined with reference to a benchmark of total assets of \$140,133,639, of which it represents approximately 1.0%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% of materiality for the financial statements as a whole, which equates to \$1,050,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$70,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

## *Going concern*

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

the going concern period. The risks that we considered most likely to affect the Company's financial resources or ability to continue operations over this period were:

- Availability of capital to meet operating costs and other financial commitments;

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## *Fraud and breaches of laws and regulations – ability to detect*

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *We have nothing to report on other matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

## *Respective responsibilities*

### *Directors' responsibilities*

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### *The purpose of this report and restrictions on its use by persons other than the Company's members, as a body*

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## *Report on Regulatory Requirements*

### *European Single Electronic Format (ESEF)*

The Company has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in the XHTML format, including the financial statements as included in the reporting package by the Company, has been prepared in all material respects in accordance with the RTS on ESEF.

The directors are responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby the directors combine the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

# Independent Auditor's Report to the Members of Invesco Digital Markets plc (continued)

Our procedures included amongst others:

- obtaining an understanding of the Company's financial reporting process, including the preparation of the annual report in XHTML format;
- examining whether the annual report in XHTML-format is in accordance with the RTS on ESEF.

**Nicholas Stevens**

**For and on behalf of KPMG Channel Islands Limited**

*Chartered Accountants and Recognized Auditors*

*Jersey*

29 July 2022

**INVESCO DIGITAL MARKETS PLC**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

	Notes	From 29 April 2021 to 31 March 2022 US\$
<b>Other income</b>		500
<b>Expenses</b>		(486,933)
		<u>(486,433)</u>
Fair value loss on digital assets	7	(32,027,522)
Fair value loss on digital assets held in respect of management fees		(26,749)
Fair value gain on digital certificates	8	32,514,455
Fair value gain on management fee payable		26,749
<b>Profit for the period</b>		<u>500</u>
<b>Other comprehensive income</b>		-
<b>Total comprehensive income for the period</b>		<u><u>500</u></u>

All the items dealt with in arriving at the result for the period relate to continuing activities.

The notes on pages 16 to 25 form an integral part of these audited financial statements

**INVESCO DIGITAL MARKETS PLC**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	Notes	31 March 2022 US\$
<b>Assets</b>		
Digital assets	7	140,014,828
Digital assets held in respect of management fees	5	118,308
Trade and other receivables	6	<u>503</u>
<b>Total Assets</b>		<b><u>140,133,639</u></b>
<b>Liabilities</b>		
Digital certificates	8	140,014,828
Trade and other payables	9	<u>118,308</u>
<b>Total Liabilities</b>		<b><u>140,133,136</u></b>
<b>Equity</b>		
Share capital	10	3
Retained earnings		500
Revaluation reserve		<u>-</u>
<b>Total Equity</b>		<b><u>503</u></b>
<b>Total Liabilities and Equity</b>		<b><u>140,133,639</u></b>

Jul 29, 2022

The financial statements on pages 12 to 25 were approved and authorised for issue by the Board of Directors on.....and signed on its behalf by:



..... Director

The notes on pages 16 to 25 form an integral part of these audited financial statements

**INVESCO DIGITAL MARKETS PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

	Share capital US\$	Retained earnings US\$	Revaluation reserve US\$	Total US\$
As at 29 April 2021	-	-	-	-
Profit for the period	-	500	-	500
Other comprehensive income for the period	-	-	-	-
Share capital issued during the period	3	-	-	3
<b>As at 31 March 2022</b>	<u><u>3</u></u>	<u><u>500</u></u>	<u><u>-</u></u>	<u><u>503</u></u>

The notes on pages 16 to 25 form an integral part of these audited financial statements

**INVESCO DIGITAL MARKETS PLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

	Notes	31 March 2022 US\$
<b>Operating activities</b>		
Profit for the period		500
Management fees expense		486,933
Fair value gain on digital certificates	8	(32,514,455)
Fair value gain on management fee payable		(26,749)
Changes in fair value of Digital Assets during the period	7	32,027,522
Fair value loss on digital assets held in respect of management fees		26,749
Increase in digital assets held in respect of management fees		(118,308)
Increase in trade and other receivables		(500)
Increase in trade and other payables		118,308
<b>Net cash generated from operating activities</b>		<u>-</u>
Net change in cash and cash equivalents during the period		-
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at end of the period</b>		<u><u>-</u></u>
<b>Non-cash transactions during the period include:</b>		
Additions on Digital Assets	7	(173,407,669)
Disposals on Digital Assets	7	878,386
Subscriptions of Digital Certificates	8	173,407,669
Redemptions of Digital Certificates	8	<u>(878,386)</u>
		<u><u>-</u></u>

The notes on pages 16 to 25 form an integral part of these audited financial statements

**INVESCO DIGITAL MARKETS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**1. General information**

Invesco Digital Markets plc (the **Company** or **Issuer**) is a company incorporated and domiciled in Jersey, Channel Islands as a public company on 29 April 2021. The address of the registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands.

The principal activity of the Company is to issue series (each, a **Series**) of secured, limited recourse certificates (**Digital Certificates**) by the Issuer under the Secured Cryptocurrency Linked Certificates Programme (the **Programme**) described in the base prospectus (**Base Prospectus**).

Each Series of Digital Certificates issued by the Issuer under this Programme entitles the holder of a Digital Certificate who is an authorised participant under the Programme (each an **Authorised Participant**), by the exercise of the relevant option, to require the Issuer to redeem such Digital Certificate by transfer of one or more cryptocurrencies specified in the relevant final terms (each a **Digital Asset**) in an amount equal to the delivery amount in accordance with the conditions of the Digital Certificates. Unless previously redeemed or cancelled, each Digital Certificate of a Series is redeemed on the final maturity date specified in the final terms relating to each tranche of that Series of Digital Certificates (the **Final Maturity Date**), which shall in any case not be earlier than 30 June 2121, at the relevant cash amount in US dollars or any other currency specified in the relevant final terms (US dollars or such other currency specified in the relevant final terms being the Specified Currency). As at the date of the Base Prospectus, the sole Digital Asset in which Digital Certificates may be redeemed is Bitcoin, but in future the Issuer may issue Series of Digital Certificates giving rise to entitlements to redemption in other Digital Assets, which may either be Bitcoin, Ethereum, Ripple, Bitcoin Cash, Litecoin, or a basket of two or more of the foregoing.

In order to hedge its obligations to the holders of each Series of Digital Certificates, the Issuer holds a pool of the relevant Digital Asset relating to that Series of Digital Certificates. The Digital Assets are received from the Authorised Participants in consideration for the issue of Digital Certificates, and are held on trust by Zodia Custody Limited (the **Custodian**) for the Issuer. On any date, the pool of Digital Assets held by the Custodian is required to comprise an amount of the relevant Digital Asset no less than the aggregate of the per Digital Certificate Entitlement (**Per Digital Certificate Entitlement**) to such Digital Asset for all outstanding Digital Certificates of such Series.

From time to time, in respect of Digital Certificates of any particular Series, a portion of the Digital Assets equal to the aggregate of the daily amounts by which the Per Digital Certificate Entitlement to such Digital Assets has been reduced by the reduction percentage over the relevant period is withdrawn from the relevant depository wallet and paid to Invesco Asset Management Limited (the **Issuer Adviser**) in consideration for its services as Issuer Adviser and also its agreement to pay the fees and expenses due to the other service providers in connection with the Programme (but not including any indemnities granted in favour of the other service providers). The Issuer Adviser is principally responsible for providing certain advisory services to the Issuer.

The recent Base Prospectus was issued on 16 November 2021. The Digital Certificates were admitted for listing on the Frankfurt Stock Exchange on 20 January 2022.

**2. Basis of preparation, significant accounting policies, estimates and judgements**

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively **IFRSs**) and in accordance with the Companies (Jersey) Law 1991.

The financial statements have been prepared on the historical cost basis, except for Digital Assets and Digital Certificates that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The principal accounting policies adopted are set out below.

**Going concern**

The Directors believe that the Company is well placed to manage its business risk successfully and therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of this report.

The Company has an obligation to settle amounts due to the holders of Digital Certificates. When these are redeemed, the Company returns the corresponding amount of Digital Assets determined by the Per Certificate Entitlement of those Digital Certificates, therefore the redemption of Digital Certificates would not impact the liquidity of the Company. Furthermore, the Issuer Adviser pays the fees and expenses due to the other service providers in connection with the Programme. Accordingly, the Directors have prepared the financial statements on a going concern basis.

A high-level of analysis was made on the liquidity and performance of the Company, following the financial period end 31 March 2022. Based on this, the Directors note that there has been negative change in the prices of Digital Assets. Despite the significant reduction in the price of Digital Assets, the level of activity has remained stable post the financial period end. The Directors have also noted that the Administrator has taken measures to ensure business continuity.

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with the Russian invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. The Directors carefully evaluate the information that becomes available and believe that has no significant impact on the financial statements. The Directors will continue to monitor the situation and appropriate steps will be taken for the smooth running of the Company's business.

**INVESCO DIGITAL MARKETS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**2. Basis of preparation, significant accounting policies, estimates and judgements (continued)**

**Adoption of new and revised standards**

*(a) New Standards, Amendment to Standards and Interpretations early adopted by the Company:*

There were no new standards, amendments to standards and interpretations adopted early by the Company as this is the first period of adoption of IFRS.

*(b) Standards, amendments and interpretations not yet effective:*

No new standards expected to give a material impact on the financial statements of the Company.

**Critical accounting judgements and key sources of estimation uncertainty**

In applying the Company's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Company's policies**

The following are critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Judgement in classifying Digital Assets*

The IFRS Interpretations Committee ("IFRIC") published an agenda decision: Holding of Cryptocurrencies - Agenda Paper 12, in 2019, which clarifies how to apply the holdings of cryptocurrencies' classification, recognition and measurement within issued IFRS Standards.

The IFRIC observed that a holding of cryptocurrency meets the definition of an (1) intangible asset in IAS 38 on the grounds that (a) it is capable of being separated from the holder and sold or transferred individually; and (b) it does not give the holder a right to receive a fixed or determinable number of units of currency; or (2) in certain circumstances, inventory in accordance with IAS 2. Based on this conclusion, the classification, recognition and measurement, and disclosure requirements of IAS 38 or IAS 2 should be applied in regard to Bitcoin. Management has assessed the impact of the IFRIC's agenda decision and determined that the Company's policies are consistent with the IFRIC decision.

Directors have determined that the Digital Assets fall within the scope of IAS 38 Intangible Assets following a review of the facts and circumstances. In making this judgement, the Directors have considered that the Digital Assets do not meet the definition of a financial instrument as they do not constitute a contract that gives rise to another financial asset. Furthermore, the Digital Assets which are used to collateralise the Company's liability do not meet the definition of inventory as the assets are not held for sale in the ordinary course of business.

*Determination of the valuation methodology applied to Digital Assets*

The Base Prospectus includes a reference methodology to calculate the price of the Digital Certificates using The CoinShares Bitcoin Hourly Reference Rate (the **CoinShares Price**). The CoinShares Price represents transparent cryptocurrency reference prices with independent governance and oversight. It is calculated based on the collection of all observable transactions and order book snapshots of all respective selected exchanges. The calculation reflects a valuation at 4pm fixed time.

The Directors have considered the requirements of IFRS and more specifically in relation to the identification of a principal market for the Digital Assets, being the market with the greatest volume and level of activity for the Digital Assets. The directors note that at the reporting date, the market that meets this criterion is Binance.

Taking into consideration the prospectus methodology the Directors have utilised the CoinShares Price in the valuation of the asset as there is no significant difference between the Digital Assets value based on the CoinShares price and the Digital Assets value based on the Binance price. In reaching this conclusion, the Directors also considered the fact that CoinShares is an aggregator of a number of exchange prices.

As a result, the Directors consider that the CoinShares Price is the appropriate price for the calculation of fair value within these financial statements.

*Determination of fair value of Digital Certificates*

The Directors have considered the requirements of IFRS and more specifically in relation to the identification of a principal market being the market with the greatest volume and level of activity for the Digital Certificates. The directors note that the market that meets this criterion at the reporting date is the Deutsche Börse Xetra.

**Key sources of estimation uncertainty**

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Other income**

Other income is accounted for on an accrual basis. Other income includes a fee of US\$ 500 payable by Issuer Adviser to the Company, for so long as any Series of Certificates is outstanding.

**INVESCO DIGITAL MARKETS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**2. Basis of preparation, significant accounting policies, estimates and judgements (continued)**

**Significant accounting policies**

**Expenses**

Management fees are calculated by applying a percentage rate specified in the Per Digital Certificate Entitlement is reduced on a daily basis on the assumption that the daily rate will be the per annum rate divided by 365. The change reduces the value of the Digital Certificate, which equates to the management fee amount in the relevant Digital Asset that is recognised for that day per each Digital Certificate in issue on that day. The management fees are calculated and accrued daily, until settled by transfer of the relevant Digital Asset. The amount of the management fee is recognised by converting the Digital Assets into the functional currency by application of the CoinShares Price.

Expenses are recognised on an accrual basis. In consideration of the advisory agreement, the Issuer Adviser incurs and pays the fees and expenses due to the other service providers in connection with the Programme

**Foreign currencies**

**(a) Functional and presentation currency**

The principal activity of the Company is to hold Digital Assets to support the Digital Certificates issued. Furthermore, the majority of the Company's income and expenses are transacted through the transfer of Digital Assets.

Given the above, the Company also considered other factor in determining the functional currency, specifically, the base currency denomination of the Digital Certificates issued which is US\$.

As a result of the assessment, the Company concluded that the functional and presentation currency of the financial statements is US Dollar (US\$), which reflects the Company's primary activity.

**(b) Transactions and balances**

Transactions denominated in foreign currencies are translated into US\$ at the exchange rate ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated into US\$ at the exchange rate ruling at the reporting date. Any gains or losses arising on translation are recognised in the statement of comprehensive income. Gains and losses arising on retranslation of liabilities designated at fair value through profit or loss are included in the statement of comprehensive income together with fair value gains and losses as noted below.

**Taxation**

The Company as a non-regulated financial services Company is liable to Jersey income tax at 0%.

**Digital assets**

The Company holds Digital Assets equal to the amount due to holders of Digital Certificates solely for the purposes of meeting its obligations under the Digital Certificates.

The IFRS Interpretations Committee ("IFRIC") published an agenda decision: Holding of Cryptocurrencies - Agenda Paper 12, in 2019, which clarifies how to apply the holdings of cryptocurrencies' classification, recognition and measurement within issued IFRS Standards.

The IFRIC observed that a holding of cryptocurrency meets the definition of an (1) intangible asset in IAS 38 on the grounds that (a) it is capable of being separated from the holder and sold or transferred individually; and (b) it does not give the holder a right to receive a fixed or determinable number of units of currency; or (2) in certain circumstances, inventory in accordance with IAS 2. Based on this conclusion, the classification, recognition and measurement, and disclosure requirements of IAS 38 or IAS 2 should be applied in regard to Bitcoin. Management has assessed the impact of the IFRIC's agenda decision and determined that the Company's policies are consistent with the IFRIC decision.

Following a review of the facts and circumstances, the Directors have determined that the Digital Assets fall within the scope of IAS 38 Intangible Assets. Furthermore, the Directors have determined to account for Digital Assets under the IAS 38 revaluation model being its fair value on the basis there is an active market for the transfer and sale of the Digital Assets that the Company holds. The Digital Assets are held to provide the security holders with the exposure to changes in the fair value of Digital Assets and therefore the Directors consider that carrying the Digital Assets at fair value reflects the objectives and the purpose of holding the asset.

Digital Assets are priced on a daily basis based on the amount of the Digital Assets held using the quoted price in U.S. Dollars published on the principal market exchange at midnight UTC time zone, the CoinShares Price, and is considered to be the fair value of the Digital Assets

**Issue and redemption**

Upon initial recognition and the receipt of Digital Assets, they are recorded at cost using the CoinShares Price as at the date of the receipt.

Upon redemption of Digital Certificates and the transfer out of Digital Assets, the attributable cost shall be calculated in accordance with the average cost methodology, and the overall cost reduced accordingly to represent the de-recognition of the Digital Assets. Any previously recognised gains on the Digital Assets de-recognised as a result of the transfer are reclassified to retained earnings.

2. Basis of preparation, significant accounting policies, estimates and judgements (continued)

Significant accounting policies (continued)

Digital assets (continued)

**Subsequent measurement**

An increase in fair value is recognised in other comprehensive income and accumulated in the revaluation reserve within equity except to the extent that it reverses a revaluation decrease for impairment previously recognised in profit and loss.

A decrease in fair value is recorded in profit or loss except to the extent to which they reverse gains previously recognised in OCI for Digital assets.

Digital certificates

**Issue and redemption**

Each time a Digital Certificate is issued or redeemed by the Company a corresponding amount of the corresponding Digital Asset is transferred into or from the relevant secured account held by the Custodian. Upon initial recognition, Digital Certificates are recorded at fair value.

Liabilities are recognised when the Company becomes party to the contractual provision of the instrument and de-recognised when it is extinguished, discharged, cancelled or expires. Liabilities are recognised and de-recognised on the transaction (trade) date.

**Subsequent measurement**

After initial measurement, the Company measures Digital Certificates which are classified as at fair value through profit or loss (FVPL). Subsequent changes in the fair value of Digital Certificates designated at FVPL are recognised directly in the profit or loss.

**Classification at fair value through profit or loss**

Digital Certificates comprise a liability whose redemption price is linked to the value of the underlying Digital Asset. Digital Certificates are classified as liabilities at fair value through profit or loss under IFRS 9. This also significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different bases.

**Digital Assets and Digital Certificates awaiting settlement**

The issue and redemption of Digital Certificates, and the transfer in and out of Digital Assets, is accounted for on the transaction date. The transaction will not settle until three days after the transaction date. Where transactions are awaiting settlement at the period end, the value of the Digital Asset and the Digital Certificates due to be settled is separately disclosed within the relevant assets and liabilities on the Statement of Financial Position. The fair value of these receivables and payables is considered equivalent to their carrying value.

**Digital assets held in respect of management fees and Digital Assets Payable**

Management fees are accrued by reducing the Per Digital Certificate Entitlement of each class of Digital Certificate on a daily basis by an agreed amount. At the same time an equivalent amount is transferred from Digital Assets to Digital Assets Held in Respect of Management Fees.

Under IFRS there is no standard treatment for the classification of digital currencies, and therefore applying the same judgement described under the Digital Assets Policy, the Digital Assets Held in Respect of Management Fees are carried at fair value.

**Initial recognition**

Digital assets held in respect of management fees and Digital Assets Payable at fair value through profit or loss are recognised initially at the trade date when the Company becomes a party to its contractual provisions

**De-recognition**

The Company de-recognises Digital assets held in respect of management fees and Digital Assets Payable at fair value through profit or loss when the contractual rights from assets or liabilities have expired, or the Company has transferred the rights in a transaction in which substantially all the risks and rewards of ownership are transferred.

The fair value of the Digital Assets transferred to Digital Assets Held in Respect of Management Fees at the Statement of Financial Position date is re-measured using the latest CoinShares Price on that date. An increase in fair value is recognised in other comprehensive income and accumulated in the revaluation reserve within equity except to the extent that it reverses a revaluation decrease for impairment previously recognised in profit and loss. Upon derecognition of the Digital Assets recognised in respect of Management Fees (as a result of the transfer to settle the Management Fee payable), any previously recognised gains shall be transferred from the Revaluation Reserve to retained earnings.

**Classification at fair value through profit or loss**

Management Fees Payable are also accrued based on the income recognised in accordance with the agreement with the Issuer Adviser. These fees are paid by transfer of the relevant Digital Asset. Management Fees Payable are classified as liabilities at fair value through profit or loss.

**Other financial assets**

Other financial assets including trade and other receivables with a fixed payment amount and are not quoted in an active market. After initial measurement, the other financial assets are subsequently measured at amortised cost.

**INVESCO DIGITAL MARKETS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**2. Basis of preparation, significant accounting policies, estimates and judgements (continued)**

**Significant accounting policies (continued)**

**Reserves**

A revaluation reserve and a retained earnings reserve are maintained within equity. All profits or losses, including gains and losses on the movement in the fair value of Digital Certificates are taken to the retained earnings reserve at the end of each accounting period. Gains and reversals of previously recognised gains arising on the movement in the fair value of Digital Assets, above cost, are taken to the revaluation reserve at the end of each accounting period. Losses and reversals of previously recognised losses on the movement in the fair value of Digital Assets, below cost, are taken to profit and loss.

**Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Chief Operating Decision Maker (CODM) of the operating segment is the Board. The CODM is responsible for all the Company's activities.

The Directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

**3. Operating expenses**

Certain costs associated with the Company are borne by Issuer Adviser, including the expenses incurred for services provided by Intertrust amounting to US\$ 70,026 and audit fees of US\$ 131,300.

Management fees to the Issuer Adviser amounted to US\$ 486,933 during the financial period. As at 31 March 2022, the amount payable to the Issuer Adviser is US\$ 118,308.

	Period ended 31 March 2022 US\$
<b>Auditor's remuneration</b>	
Statutory audit	131,300

For the financial period ended 31 March 2022, KPMG Channel Islands Limited were appointed as auditor and there were no other assurance services or other non-audit services performed by KPMG as auditor of the Company.

**4. Taxation**

The Company is subject to Jersey income tax at a rate of 0%.

**5. Digital assets held in respect of management fees**

	31 March 2022 US\$
Digital assets held in respect of management fees	<u>118,308</u>

Digital Assets held in respect of Management Fees are recorded at fair value.

**6. Trade and other receivables**

	31 March 2022 US\$
Receivable from related parties	3
Other receivables	<u>500</u>
	<u>503</u>

The fair value of trade and other receivables is equal to the carrying value. These are due to be recovered within 12 months of the period end.

**INVESCO DIGITAL MARKETS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**7. Digital assets**

31 March 2022  
US\$

Digital assets 140,014,828

As at 31 March 2022, there were no amounts of Digital Assets awaiting the settlement in respect of the creation or redemption of Digital Certificates with transaction dates before the period end and settlement dates in the following period.

All Digital Assets have been valued using the CoinShares Price on 31 March 2022. The cost of the Digital Assets as at 31 March 2022 was US\$171,816,764 and the Bitcoin wallet balance related to Digital Assets as at this same date was 3,010.15.

The below reconciliation of changes in Digital Assets includes only non-cash transactions related to delivery of Digital Assets against delivery of Digital Certificates (refer to Note 8).

31 March 2022  
US\$

At beginning of the period	-
Additions during the period	173,407,669
Disposals during the period	(878,386)
Transfer to digital assets held in respect of management fees during the period	(486,933)
Changes in fair value during the period	<u>(32,027,522)</u>
At end of the period	<u>140,014,828</u>

The changes in fair value during the period represent the loss, as there are no amounts in other comprehensive income, this has been fully recognised in the profit and loss statement.

The Directors consider that the useful life of the Digital Assets is assessed as indefinite on the basis that they can be held, exchanged and transferred as a store of value without an expiration date.

**8. Digital certificates**

31 March 2022  
US\$

Digital certificates 140,014,828

Whilst the Digital Certificates are quoted on the open market at US\$126,569,425, the Company's ultimate liability relates to its contractual obligations to issue and redeem Digital Certificates in exchange for Digital Assets as determined by the Per Digital Certificate Entitlement of each class of Digital Certificate on each trading day.

As at 31 March 2022, there were no amounts of Digital Certificates awaiting the settlement in respect of the creation or redemption with transaction dates before the period end and settlement dates in the following period.

The below reconciliation of changes in Digital Certificates includes only non-cash changes.

31 March 2022  
US\$

At beginning of the period	-
Subscriptions during the period	173,407,669
Redemptions during the period	(878,386)
Changes in fair value during the period	<u>(32,514,455)</u>
At end of the period	<u>140,014,828</u>

**9. Trade and other payables**

31 March 2022  
US\$

Management fees payable 118,308

Management Fees Payable by transfer of Digital Assets are recorded at redemption amount.

**INVESCO DIGITAL MARKETS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**10. Share capital**

31 March 2022  
US\$

**Authorised**

Equity: 2 ordinary shares of GBP 1 each

**Allotted and called up**

Equity: 2 ordinary shares of GBP 1 each

3

All shares issued have equal claim to voting and dividend rights.

Each issued and fully paid share is entitled to dividends when declared and carries a voting right. Except otherwise provided by the rights attached to shares, dividends shall be paid according to the amounts paid up on the shares. The shareholder has a right to vote at general meetings of the Company either in person or by proxy.

The Directors have not declared or paid a dividend for the period ended 31 March 2022.

**11. Risk management**

The Company's activities expose it to a variety of risks: macro risk, credit risk, risk factors relating to Digital Assets, liquidity risk and market risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company's financial performance.

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for identifying and analysing the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further qualitative disclosures are included throughout these financial statements.

**Credit risk**

Credit risk is the risk of financial loss to the Company if an Authorised Participant or the Custodian fails to meet its contractual obligations. At the reporting date the Company did not have any Digital Certificates awaiting the transfer of Digital Assets therefore there was no residual credit risk exposure.

Whilst there is an inherent credit risk in the cryptocurrency market due to the nature of Digital Assets, it is the Company's policy to only enter into transactions with reputable Authorised Participants. Therefore, the Company does not expect to incur material credit losses in respect of Digital Assets.

The Board monitors the credit risk exposure on a periodic basis. The Company has no net exposure to any Digital Assets since its obligations are limited recourse to the relevant Digital Assets held to support the Digital Certificates.

**Storage risk**

Storage risk is the risk of loss of Digital Assets. To manage this risk, the Company has partnered with an entity that offers high levels of security for the safekeeping of private keys with elaborate security protocols surrounding access to the secure enclave in which the private keys are stored. However, there is no assurance that these arrangements fully protect from loss of assets. The Company currently has Zodia Custody Limited as the sole Custodian.

**Forking**

A fork is a refinement or improvement to a network's source code through one or more software upgrades that could alter the protocols governing the main Bitcoin network and the properties of Bitcoin. The effect would be the existence of two versions of the network running in parallel, and the creation of new digital assets which may lack interchangeability with its predecessor. A hard fork can potentially cause changes to the adoption, use or confidence in the underlying protocol and should such a loss of confidence in the underlying protocol occur, the value of the associated digital currency will decrease, which in turn would affect the value of any Digital Certificates relating to that digital currency.

Furthermore, a fork which results in the creation of a new coin presents a number of operational difficulties. The Custodian may not have the IT-infrastructure to cater for the new coin and its particular characteristics.

Price discovery in respect of the coins which result from a fork is not typically problematic but there may be an impact upon the Issuer's creation and redemption processes (specifically, the timescales involved in connection therewith for transactions which have not yet settled, including transactions that have already been initiated) as a consequence of the foregoing operational considerations. Furthermore, there is no obligation on the Custodian to support any post-fork path in respect of any Digital Assets, and the Custodian has the right to terminate its services in respect of any non-supported fork.

The total carrying amounts of the Digital Assets best represent the maximum risk exposure at the reporting date.

**INVESCO DIGITAL MARKETS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**11. Risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with liabilities. The Company's Digital Assets receivable and payable in respect of Management Fees are payable on demand and generally settled on a short term basis.

Unless previously redeemed or cancelled, each Digital Certificate of a Series will be redeemed on the Final Maturity Date, which shall in any case not be earlier than 30 June 2121, at the Specified Currency. In respect of those redemptions settled by delivery of the Digital Asset, a holder of Digital Certificate will receive on a date on or before the third business day following the relevant eligible redemption valuation date. If the Issuer Adviser becomes aware that a settlement disruption event has occurred or exists, settlement will be on the first succeeding day if on or by the 10th business day, relevant sale or delivery is not effected in a commercially reasonable manner.

When Digital Certificates are redeemed, the Company returns the corresponding amount of Digital Assets determined by the Per Certificate Entitlement of those Digital Certificates, therefore the redemption of Digital Certificates would not impact the liquidity of the Company. Consequently, the Company has not presented any tabular information in respect of liquidity risk.

**Market risk**

Market risk is the risk that changes in market prices, due to foreign exchange rates, interest rates, digital asset prices and equity prices, will affect the Company's income or the value of its holdings of Digital Assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Due to the structure of the Company's assets and liabilities, particularly the similar terms and conditions of the Digital Assets and Digital Certificates, the Company's net exposure to market risk is considered to be minimal. However, there is an inherent risk where each Series of Certificates are linked to the value of the Digital Assets relating to that Series in the same way that a direct investment in such Underlying Cryptoassets would, and investors should be aware that substantially all of their investment may be lost. The Digital Certificates are not capital protected, for example through a deposit guarantee or protection scheme, and there is therefore a risk of partial or complete loss of investment.

**Macro Risk**

Macro risk refers to risk that is associated with macroeconomic, financial and political, regulatory or judicial events which can affect markets generally and may affect the price of the Bitcoin and/or any other cryptocurrency relating to a Series.

There is lack of consensus regarding the regulation of cryptocurrencies, including Bitcoin, and uncertainty regarding their legal and tax status. Regulation of cryptocurrencies continues to evolve across different jurisdictions worldwide. Any change in regulation in any particular jurisdiction may impact the supply and demand in that specific jurisdiction and other jurisdictions due to the global network of exchanges for cryptocurrencies, as well as composite prices used to calculate the underlying value of such cryptocurrencies (if any), as the data sources span multiple jurisdictions.

The Directors continuously monitor legal, regulatory and environmental changes which could adversely affect the Company. This is accomplished by a number of measures which include and are not limited to, reviewing economic data and specialist reports issued by independent expert publications.

**Sensitivity analysis**

As mentioned in Market Risk above, the Company has minimal net exposure to market risk. However, the profit or loss, and other comprehensive income will be affected by movements in the price of the Digital Assets. During the period, the value of Bitcoin traded between US\$29,620 and US\$68,390, representing an average price fluctuation of approximately 8% against the CoinShares Price as at 31 March 2022.

The sensitivity analysis below is prepared assuming a 15% percentage point increase in the value of the Digital Assets, whilst 45% was more representative of a potential decrease in the value of the Digital Assets given the volatility observed during the preparation of these financial statements, with all other variables held constant, is used as these represent the management assessment of reasonably possible change.

	Change in year-end price	Effect on profit or loss US\$	Effect on other comprehensive income US\$
Digital assets	+15%	-	21,002,224
	-45%	-	(63,006,673)
Digital assets held in respect of management fees	+15%	-	17,746
	-45%	-	(53,239)
Digital certificates	+15%	(21,002,224)	-
	-45%	63,006,673	-
Management fees payable	+15%	(17,746)	-
	-45%	53,239	-

All the movements above are linear to changes in price of Digital Assets.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE FINANCIAL PERIOD FROM INCEPTION TO 31 MARCH 2022**

**11. Financial risk management (continued)**

**Capital management**

The Company is a special purpose vehicle set up to issue series of secured limited recourse Digital Certificates by the Issuer under the Programme described in the base prospectus. Share Capital of US\$ 3 was issued in line with Jersey Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements

**Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 March 2022, the Company held the following assets and liabilities measured at fair value:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Digital assets	140,014,828	-	-	140,014,828
Digital assets held in respect of management fees	118,308	-	-	118,308
Digital certificates	(140,014,828)	-	-	(140,014,828)
Management fees payable	-	(118,308)	-	(118,308)
	<u>118,308</u>	<u>(118,308)</u>	<u>-</u>	<u>-</u>

The fair value of the assets and liabilities above was calculated using observable market data and require little management judgement and estimation. Availability of observable market prices for cryptocurrencies to which each Series of Digital Certificates are linked reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair value.

There were no transfers between hierarchy levels during the period. The Company's policy is to recognise transfers into and out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer.

**12. Parent undertaking and controlling party**

The entire issued share capital of the Company is held equally by Intertrust Nominees (Jersey) Limited and Intertrust Nominees 2 (Jersey) Limited, as nominees to Intertrust Fiscal Trustee a.r.l., as the trustee of the Invesco Digital Markets Charitable Trust.

**13. Related party transactions**

Ellen Chislett (appointed on 29 April 2021) and Ryan Mendez (appointed on 29 April 2021) are Directors of certain subsidiaries of Intertrust Fiduciary Services (Jersey) Limited, including Intertrust SPV Services Limited, (together **Intertrust**) which provides administrative, accounting and directorship services to the Company. During the period, the Issuer Adviser paid the expenses incurred for services provided by Intertrust amounting to US\$70,026. The Directors do not receive remuneration from the Company. The fees paid to Intertrust include the provision of directors among other administrative services.

**Transactions with other significant contracts**

Management fees to the Issuer Adviser amounted to US\$ 486,933 during the financial period.

**INVESCO DIGITAL MARKETS PLC**  
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**14. Subsequent events**

The below table relates to the changes in price of Digital Assets as at 15 July 2022 using the CoinShares price.

Digital assets	Currency	Price as at 15 July 2022	Price as at 31 March 2022	Change in price %
Bitcoin	US\$	20,920	46,514	(55.02)

There were no other events subsequent to period end date which would require adjustments to or disclosures in these financial statements.